



Minnesota Gambling Control Board

GAMING NEWS

March/April 2011

Gambling Control Board

William Goede, Chair
(Plainview)

Committee: Executive

Norm Pint, Vice-Chair
(New Prague)

Committees: Executive;
CRG (chair)

William Gillespie, Secretary
(St. Paul)

Committees: Executive;
Legislative (chair); CRG

Robert Hyde (Plymouth)

Committees: Rules (chair)

Geno Fragnito (Woodbury)

Committees: Rules, Legislative

Susan McCarville (Hopkins)

Committees: Rules; CRG

Gary Sigfrinius (Forest Lake)

Committees: Legislative

Monthly board meetings are open to the public and are held at:

Gambling Control Board office,
Suite 300 South,
1711 West County Road B,
Roseville, Minnesota.

2011

Monday, April 18, 10 am
Monday, May 16, 10 am
Monday, June 20, 10 am

The agenda is posted at:
www.gcb.state.mn.us

DIRECTOR'S COLUMN

Tom Barrett, Executive Director

Star Rating

June 30 will soon be here. Do you know whether your organization will be in compliance with the lawful purpose rating for lawful purpose expenditures? Be sure that your organization is closely monitoring its lawful purpose expenditures to meet the requirements. Form LG1012 is designed for this purpose.

Organizations are evaluated according to the following criteria.

% Spent on Lawful Purpose	Rating
more than 50%	5 star ★★★★★
more than 40%	4 star ★★★★★
more than 30%	3 star ★★★★★
more than 20%	2 star ★★ One year automatic probation
Less than 20%	1 star ★ One year automatic probation

If your organization was placed on probation last year, it is important that your organization be in compliance by June 30, 2011. Otherwise, your organization may be sanctioned by the Board.

Fund Losses Being Questioned

The Gambling Control Board has been getting tougher on fund loss requests. Some of the recent cases reviewed had questionable security and internal controls including:

- the use of lightweight safes that are easily carried out of the premises. Using a lightweight safe that is easily removed from the premises is not a good security measure for protecting gambling funds;
- too many people with keys or access to combinations; and
- pull-tab money gone but the bar money safe.

New Rules Effective March 1, 2011

Lawful gambling rule changes became effective on March 1.

For a brief synopsis of the significant changes that pertain to organizations, check out the information on pages 6 and 7. The new rules are available on-line at www.gcb.state.mn.us. Under Quick Links, click on the *Rules* link.

2011 Lawful Gambling Manual

The 2011 Lawful Gambling Manual has been revised and updated to include all rule changes. Plus, we've arranged information for a more logical placement. The Manual can be viewed and downloaded from our web site at www.gcb.state.mn.us. Under Quick Links, click on *Lawful Gambling Manual*.

Continuing Education Classes

- Preregistration is not required for continuing education classes.
- Classes are free and open to the public.
- **Reminder:** Gambling managers are required to attend at least one continuing education class each CALENDAR YEAR.
- Check our web site at www.gcb.state.mn.us for updates and changes.

APRIL 2011

April 7, 2011 4:30 pm	Lyon County Government Center Commissioner Rooms 1 and 2 607 Main Street, Marshall	2011 Rules Update
April 7, 2011 4:30 pm	Plaza Hotel and Suites, Rosewood Room II 1025 Highway 61 East, Winona	2011 Rules Update
April 12, 2011 4:30 pm	Country Inn Suites 15058 Dellwood Drive, Baxter	2011 Rules Update
April 14, 2011 4:30 pm	BestWestern Kelly Inn, Congress/Senate Room 100 4th Avenue South, St. Cloud	2011 Rules Update
April 14, 2011 4:30 pm	C'Mon Inn 1586 Highway 59 South, Thief River Falls	2011 Rules Update
April 19, 2011 4:30 pm	Hibbing Memorial Building, Dining room 400 East 23rd Street, Hibbing	2011 Rules Update
April 28, 2011 4:30 pm	Gambling Control Board, Suite 300 South 1711 West County Road B, Roseville	2011 Rules Update

MAY 2011



NEW

The "Bar Bingo" class has been completely revised and updated with information about the conduct of bar bingo, inventory forms, and reporting requirements. If you are currently conducting bar bingo or are thinking about adding bar bingo at your premises, we highly recommend attending this class even if you have attended it in the past.

May 11, 2011 7:00 pm	AmericInn Lodge and Suites, Fergus Falls Room 526 Western Avenue, Fergus Falls	Bar Bingo
May 17, 2011 7:00 pm	Hampton Inn and Suites, Sunken Island Room 1019 Paul Bunyan Drive South, Bemidji	Bar Bingo
May 19, 2011 7:00 pm	South Central College, Conference Center A 1920 Lee Boulevard, North Mankato	Bar Bingo
May 19, 2011 7:00 pm	Gambling Control Board, Suite 300 South 1711 West County Road B, Roseville	Bar Bingo
May 25, 2011 7:00 pm	BestWestern Kelly Inn, Sunwood Room 100 4th Avenue South, St. Cloud	Bar Bingo

JUNE AND JULY 2011

No classes are currently scheduled for June and July 2011.

CRG Report

The Compliance Review Group (CRG), a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules. This information is a condensed report of recently completed CRG conferences. Penalties imposed are based on specific and unique information reviewed for each licensee.

Licensee	Consent Order Allegations	Consent Order Requirements
VFW Post 5102, Glencoe, License 00161	<ul style="list-style-type: none"> Failed to pay or appeal a citation. 	<ul style="list-style-type: none"> \$500 fine.
Friends of the Belle Plaine Library, License 03520	<ul style="list-style-type: none"> Failed to maintain correct and complete accounting records. Gambling employees participated as players in the conduct of lawful gambling on the leased premises, Andy's Bar & Grill. Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling. Failed to make deposits of gambling receipts within 4 business days of closing the game. Failed to conduct lawful gambling on a cash basis, in advance of any play. Failed to correct violations for which organization paid a citation. 	<ul style="list-style-type: none"> \$1,500 fine. File corrective action plan. Premises permit for Andy's Bar & Grill revoked for 8 months.
Universal Manufacturing, License MA009	<ul style="list-style-type: none"> Shipped into Minnesota 16 deals of "My Pad or Yours," form number MNMPY, in which the tickets did not match the flare. Changed the design of an approved game and shipped the game into Minnesota. 	<ul style="list-style-type: none"> \$2,000 fine. File corrective action plan. Provide a sample and receive authorization for previously approved games prior to shipment into Minnesota.
VFW Post 1140, Long Prairie, License 00535	<ul style="list-style-type: none"> Failed to maintain records for perpetual and physical inventory. Failed to maintain accurate physical and perpetual inventory systems, and to reconcile the records on a monthly basis. Filed inaccurate information with Revenue. Made expenditures of gambling funds which do not qualify as lawful purpose or allowable expense. Failed to maintain deposit records which were sufficient to allow determination of deposits made from each deal or game at each permitted premises. Failed to make deposits of gambling receipts within 4 business days of closing the game. Failed to accurately complete Schedule F. Failed to reconcile profit carryover with cash balance on hand. Conducted bingo without obtaining an off-site permit. Failed to timely file its monthly tax returns. Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling. Conducted lawful gambling without sufficient supervision of a licensed gambling manager. 	<ul style="list-style-type: none"> \$1,500 fine. File corrective action plan. Resolve all outstanding accounting issues and issues contained in the compliance review report. Reconcile profit carryover variance and gambling bank account balance. Focused compliance review.

CRG Report (continued)

Licensee	Consent Order Allegations	Consent Order Requirements
American Legion Post 80, Wheaton, License 00301	<ul style="list-style-type: none"> Failed to maintain records on perpetual and physical inventory. Failed to maintain accurate physical and perpetual inventory systems, and to reconcile the records on a monthly basis. Failed to maintain lawful gambling records for a minimum of 3-1/2 years. Failed to present to its members a monthly report that contained all required information. Failed to obtain approval from its members for allowable expenses. Failed to accurately report pull-tab games. Failed to maintain records that account for assets, liabilities and fund balance. Filed false and inaccurate information with Revenue and Gambling Control Board. Failed to correctly complete prize receipt forms for winning pull-tabs. Made expenditures of gambling funds which do not qualify as lawful purpose or allowable expense. Failed to accurately complete Schedule F. Failed to deposit all gambling receipts into its gambling bank account. Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling. Failed to timely file monthly tax returns. Conducted lawful gambling without the sufficient supervision of a licensed gambling manager. 	<ul style="list-style-type: none"> \$1500 fine. Filed corrective action plan. Reimburse its gambling account \$11,167.00. Resolve all issues contained in the compliance review report. 2 Gambling Committee Oversight members must attend the gambling manager seminar and pass the exam. Focused compliance review.
VFW Post 8510 Ladies Auxiliary, Hibbing, License 02595	<ul style="list-style-type: none"> Failed to maintain accurate physical and perpetual inventory systems and to reconcile the records on a monthly basis. Failed to maintain records that account for assets, liabilities and fund balance. Failed to make deposits of gambling receipts within 4 business days of closing the game. Failed to correctly complete prize receipt forms for winning pull-tabs. Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling. Conducted lawful gambling without the sufficient supervision of a licensed gambling manager. 	<ul style="list-style-type: none"> \$500 fine. File corrective action plan. Premises permit for Risky Business revoked for 1 year.
The Oakdale Athletic Association, Oakdale, License 82019	<ul style="list-style-type: none"> Failed to complete and file an annual audit for fiscal years 2008 and 2009. 	<ul style="list-style-type: none"> \$500 fine. File required annual audits with Revenue.

Citations Paid in January and February 2011

Licensee	Violation	Amount
American Legion Post 580, Chanhassen, License 00765	Repeated fund transfers between gambling and general accounts without Gambling Control Board approval.	\$800
Edinburgh USA Pro Am Foundation License 36222	Deposit of nongambling funds into gambling account and transfer of gambling funds into general account without Gambling Control Board approval.	\$500
VFW Post 5102, Glencoe License 000161	Administrative and internal control procedures repeatedly insufficient.	\$450
American Legion Post 48, Stillwater License 00903	Repeatedly filed late G1 reports with the Department of Revenue.	\$400
Twin Cities Gaming Supplies License DI044	Issued invoices for bingo paper that did not contain all required information.	\$400
Eagan Lions Club License 02228	Excessive cash shortages.	\$300
St. Paul Midway Lions Club Foundation Inc., License 05186	Gambling employee allowed to purchase pull-tabs at place of employment.	\$300
Opole Baseball Club & Recreation Association, License 02597	Failed to file Annual Financial Summary in a timely manner.	\$250
Tartan Area Youth Hockey Assoc. License 03397	Administrative and internal control procedures insufficient.	\$200
VFW Post 5252 Auxiliary, Pelican Rapids, License 33482	Deposits not made within four business days.	\$200
Festival & Heritage Foundation, St. Paul, License 04985	Transfers of gambling funds to general account without Gambling Control Board approval.	\$100
The following organizations were each issued a citation of \$100 for failing to file a certified inventory with the Department of Revenue:		
<ul style="list-style-type: none"> • Ely Blue Line Club, License 01129 • Hanley Falls Firemen's Relief Association, License 02791 • American Legion Post 217, Baudette, License 00088 • Oakdale Athletic Association, License 82019 • VFW Post 10796, Ham Lake, License 05861 		
The following organizations were each issued a citation of \$50 for using nongambling funds for expenses directly related to the conduct of gambling:		
<ul style="list-style-type: none"> • Marshall Amateur Hockey Association, License 02395 • Farmington Youth Hockey Association, License 03762 • Aitkin Lions Club, License 01694 		

2011 RULE CHANGES EFFECTIVE MARCH 1, 2011

LEASE CHANGES

An organization must submit a new lease whenever any information in the lease changes.

ADVERTISING

- If an organization pays for advertising, the ad must include the organization's name and license number.
- If a lessor pays for the ad, the organization name and license number is not required.
- If an organization receives advertising income, the amount must be deposited in the gambling bank account. Example: Ads on a bingo program, electronic bingo devices, raffle tickets, or pull-tab dispensing devices.

INTERNAL CONTROLS

Internal controls must be documented on the LG202 Internal Controls Worksheet, in addition to any other procedures the organization has documented.

FUND LOSSES

Games conducted fraudulently are considered a fund loss, even if there was no direct loss to the organization. Example: Games with forged prize receipts. These games are usually detected by Board staff as part of a review or investigation.

POSTING INFORMATION

The house rules sign must be a minimum of 11" x 17."

House rules must include all organization policies that affect the play of a game, including any restrictions in addition to those imposed by Minnesota Statutes 349.181 on who may participate in the conduct of lawful gambling at the premises.

ELECTRONIC TRANSACTIONS

All electronic transactions require two authorized signatures.

RAFFLES

- For raffles with gross receipts of \$60 or less, an organization may pay for the merchandise prizes within 30 days of the drawing.
- If wine, beer, or intoxicating liquors are awarded as a raffle prize, persons must be age 21 and older to win.
- For a button raffle, the advertising restriction was removed and the button can now be used to obtain merchandise for a reduced price or free.
- Unsold raffle buttons can be discarded BUT an organization must keep the corresponding ticket from each unsold button.

PRIZES PURCHASED FROM LESSOR

An organization may purchase a certificate for merchandise or a gift card from the lessor if:

- the certificate or gift card has a redeemable monetary cash value;
- the cost to the organization is 50% or less of its value;
- it is redeemable only for food or beverages at the premises with no restrictions; and
- it is redeemable during all business hours.

PADDLEWHEELS

- If the pointer stops on top of a peg, the number preceding the peg is the winning number.
- If an organization conducts a paddlewheel with table game, a replacement gambling manager must attend the Board's *paddlewheel with table training class*. Training must be completed within 60 days of receiving their gambling manager license.

PULL-TABS AND TIPBOARDS

Games IN PLAY may not be transferred:

- from one site to another
- from a bar to booth operation at a leased site, and
- from a booth to bar operation at a leased site.

PULL-TAB DISPENSING DEVICE

Many restrictions were removed. The following are now allowed:

- **All** tickets in a deal may be randomly placed into **one** or more columns.
- When using two or more columns:
 - random dispensing from the device is not required,
 - when tickets remain in only one column, the game may continue to be sold without further splitting the game into multiple columns.
- The device may display or contain illuminated displays, sound, and advertising messages.
- Devices will be allowed to accept any U.S. currency in any denomination (no longer limited to \$20 or less).

ELECTRONIC BINGO DEVICES

- An organization may allow an audio function to be used for all players or just for players who are visually impaired.
- Advertising may be displayed on an electronic bingo device.
- Breakopen and "you pick'em" games are allowed on an electronic bingo device.
- The lease price is:
 - a predetermined monthly amount, or
 - a per unit lease amount for the previous week.

The lease price may not be based on a percentage of gross receipts.

(continued next page)

RULES (continued)**BINGO PROGRAM**

- Instead of posting bingo house rules, the bingo house rules may be included in the bingo program.
- The premises name and the days and times the program will be used must be included in the program.
- The organization's address is not required in the program.
- The program does not have to state whether it will be used in case of bad weather.

BINGO STATUTES/RULES

An organization is no longer required to:

- have a copy of statutes and rules governing lawful gambling at a bingo premises, or
- state where rules may be obtained.

CONDUCT OF BINGO

- Gambling employees who work during a bingo occasion may talk to their immediate family members during a bingo game.
- For bar bingo only, the bingo caller does not have to ensure that the majority of players see the selected letter and number.
- Bingo balls not called do not have to be available for inspection after the game is concluded.
- Sales of gift certificates must take place at the permitted premises.
- Each winning bingo face must be verified by a neutral player PLUS if an electronic verification device is not used, an employee must read aloud numbers in the winning bingo.
- Breakopen bingo paper must be used if certain faces have a better chance of winning.
[Example - odd/even game.]

FUND LOSSES

File within 60 days . . . The Gambling Control Board has denied fund loss requests because the requests were not filed with the Board within 60 days of discovering the loss as required.

Review the information below on what to do if your organization experiences a fund loss.

If an organization has insurance that may cover part or all of the loss, the Gambling Control Board will not take action on the fund loss request until the insurance claim has been settled.

IMPORTANT: Even if the insurance payment or restitution has not been received within the 60 days of discovery, the organization must still submit the LG250 Fund Loss Request within 60 days of discovering the loss.

When an insurance payment or a one-time restitution payment is received:

1. Deposit the funds into the gambling account within four business days.
2. Make copies of the insurance check and the deposit receipt. Write the organization's license number and "Fund Loss Attachment" on the copies and submit them to the Gambling Control Board.
3. On your next monthly Schedule F, reduce the amount that is listed on the Schedule F as a fund loss by the amount deposited.

The Board will reduce the amount of the requested profit carryover adjustment (fund loss request) to reflect the insurance or restitution payment amount.

If multiple restitution payments will be received over a period of time, an organization should follow the same procedures above whenever payment is received, or contact their compliance specialist for instructions.

Questions? Contact your compliance specialist.

Gambling Control Board
1711 West County Road B, Suite 300 South
Roseville, Minnesota 55113

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State offices will be closed on May 30, 2011.

This publication will be made available in alternative format (large print, Braille) upon request.

TRENDS in LAWFUL GAMBLING GROSS RECEIPTS

NOTE: Figures for the current calendar year are subject to change due to amended, corrected, or late tax returns.

	2010	% Change from 2009	2009	% Change from 2008	2008
January	77,239,000	-7.67	\$83,654,000	-5.30	\$88,334,000
February	78,299,000	-5.93	83,237,000	-6.45	88,977,000
March	90,397,000	-1.89	92,137,000	-6.20	98,227,000
April	84,451,000	-3.52	87,535,000	-7.07	94,196,000
May	82,259,000	-4.91	86,506,000	-8.09	94,118,000
June	78,131,000	-2.61	80,222,000	-8.65	87,820,000
July	80,836,000	-2.89	83,238,000	-6.26	88,795,000
August	78,942,000	-5.15	83,231,000	-7.36	89,843,000
September	80,422,000	+2.73	78,288,000	-9.84	86,837,000
October	83,623,000	-0.29	83,865,000	-7.31	90,476,000
November	77,709,000	-1.63	78,998,000	-5.51	83,609,000
December			77,644,000	-1.81	79,079,000
	\$892,308,000	-3.11%	\$998,555,000	-6.70%	\$1,070,311,000

LAWFUL PURPOSE EXPENDITURES (includes taxes and fees)

January 2010 -----	\$6,633,000	May 2010 -----	\$9,350,000	September 2010 -----	\$5,402,000
February 2010 -----	\$6,710,000	June 2010 -----	\$8,735,000	October 2010 -----	\$6,369,000
March 2010 -----	\$8,116,000	July 2010 -----	\$4,414,000	November 2010 -----	\$6,155,000
April 2010 -----	\$8,411,000	August 2010 -----	\$4,934,000		

AGENCY INDEX

Gambling Control Board

www.gcb.state.mn.us
Roseville ----- 651-639-4000
St. Peter ----- 507-931-5112
Hibbing ----- 218-262-7301
Fergus Falls ----- 218-739-7402

Department of Revenue

www.taxes.state.mn.us
Lawful Gambling Tax Unit ----- 651-297-1772
Email: lawfulgambling.taxes@state.mn.us

Department of Public Safety

www.dps.state.mn.us
Alcohol & Gambling Enforcement -- 651-201-7500
Minnesota's Bookstore ----- 1-800-657-3757
www.minnesotasbookstore.com 651-297-3000
Internal Revenue Service
Forms ----- 1-800-829-1040
Questions ----- 651-312-7716
Minn. Problem Gambling Helpline --- 1-800-333-HOPE
http://www.nojudgment.com